
IN THE
United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT.

No. 7488.

GALEN H. WELCH, COLLECTOR OF INTERNAL
REVENUE, for the Sixth Collection District of
California,

Appellant,

vs.

THE ST. HELENS PETROLEUM COMPANY,
LTD., a corporation,

Appellee.

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE SOUTHERN DISTRICT OF CALIFORNIA.

**Brief Submitted by Arthur A. Ballantine,
George E. Cleary and A. L. Weil,
*Amici Curiae.***

FILED

MAR 17 1935

PAUL P. O'BRIEN,
CLERK

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Statement of the Case.

This *amici curiae* brief is filed pursuant to leave of Court heretofore granted.

The question is whether a British corporation, in computing its United States income for Federal income tax purposes, is entitled to deduct British income taxes paid with respect to such income, even though, during the taxable year, the British corporation pursuant to the British tax laws deducted from dividends paid to its stockholders the amount of such British taxes.

Our interest in the case is that we represent stockholders of British corporations who have received dividends from such corporations from which British income taxes have been deducted by the payor corporations. These stockholders, in computing *their* Federal income taxes, claimed the right to a deduction or credit for such British taxes. The decision of this case as to the status of British income taxes paid by a British corporation but deducted from dividends paid its stockholders will have an important bearing on the claims of stockholders for a deduction or credit for such British taxes.

We contend that a British corporation is not entitled to deduct, for Federal income tax purposes, a British income tax which it has paid but which it has deducted from dividends paid to its stockholders, because in such a case the corporation has fully recouped the tax and the tax is imposed on and paid by the stockholders and the stockholders bear the burden of the tax.

Our position is in accordance with the practice of the Bureau of Internal Revenue for many years, and we agree with Counsel for the Collector of Internal Revenue that the decision of the lower court should be reversed. To reach this result it is not necessary for the Court to hold that the British corporation is not a taxpayer, or that it acts merely as a tax collector for the British Government or agent for the stockholders to pay their taxes.

The facts in the present case are: During the taxable year the appellee, a British corporation, doing business in the United States, and subject to Federal income taxes, received 99.75% of its total net income from sources within the United States. It paid to the British Government income taxes equivalent to \$41,657.19, of which \$41,553.05 was allocable to the income from sources within the United States. The appellee deducted from dividends paid to its stockholders during the taxable year an amount

at least equal to \$41,553.05 on account of such British income taxes (R., 20, 21). It does not appear from the record whether the dividends were at "fixed rates" on "preference" shares or dividends declared on "ordinary" shares. The appellee claimed the right to a deduction of \$41,553.05 in computing its Federal income taxes under the provisions of the Revenue Act which allow a deduction for "Taxes paid or accrued within the taxable year * * *." The lower court sustained the appellee.

It was stipulated in the lower court that the court could take judicial notice of the British tax law there incorporated in the briefs of counsel (R., 34). The British tax law so introduced in evidence is discussed in the argument herein.

Statutes Involved.

The statutes involved, both Federal and British, are set forth in the appendix hereto.

Summary of Argument.

Appellee claims a deduction under the sections of the Federal Revenue Acts allowing deductions for taxes paid or accrued within the taxable year. The statutory deductions allowed to taxpayers under the Federal Revenue Acts for amounts paid or accrued do not include amounts paid or accrued which the taxpayer is entitled to and does recoup from others.

Under the British income tax system the appellee was entitled to and did recoup the British income taxes by deducting the amount of such taxes from the dividends paid to its stockholders.

The British income tax system in the taxation of corporate income and dividends has no exact counterpart in the United States tax laws. The system contemplates that corporate income distributed as dividends shall bear one tax. This is carried out by requiring the corporation to pay the tax initially, and authorizing the corporation

to deduct the amount of the tax from the dividends it pays. The corporation thus is entitled to recoup the tax or reimburse itself by discharging its indebtedness to its stockholders, by payment of that indebtedness less the amount of the taxes.

The provisions of the British income tax statutes and decisions of the British courts show that the tax, to the extent of the amount deducted from the dividends, is a tax imposed upon the stockholders and not upon the corporation. Consequently, to the extent of the amount deducted from dividends, the stockholders and not the corporation are entitled to the deduction or credit in computing Federal income taxes. The corporation is entitled to the deduction to the extent it does not reimburse itself by deduction from the dividends.

Under the British tax law, provision is made for refund of taxes by the British Government to a stockholder who has received a dividend from which the tax has been deducted, but who does not have sufficient income to be subject to income tax. This shows beyond question that when a deduction from the dividend is made on account of the tax, the tax is then a tax on the stockholder and not on the corporation.

In computing income for surtaxes the stockholder must include the gross dividends and he pays surtaxes on the gross dividends, although he only receives the net dividend, showing that the income tax is borne by the stockholder when it is deducted from the dividend.

In the case of a "fixed rate" of dividends, as on preference shares, the obligation of the payor corporation is satisfied by payment of the fixed rate less the income tax deducted therefrom, and the payment of any greater amount would be a payment in excess of the fixed rate, again showing the tax deducted from dividends is a tax on the stockholder.

If, for some reason, the corporation does not pay a tax on income and makes no deduction in paying divi-

dends, the tax can be assessed directly against the stockholder. This shows that the tax whether paid by deduction or by direct assessment is a tax on the stockholder.

The language of the British courts has not been entirely consistent as to whether the corporation is regarded as a taxpayer itself in the first instance or is regarded merely as a tax collector for the Government or agent for the stockholders to pay their taxes. It is unnecessary for the court in the present case to decide this question. If the corporation is merely a collector of the stockholders' taxes for the government, obviously the corporation is entitled to no deduction for such tax. Even if the corporation is a taxpayer, it is not entitled to deduct any part of the tax for which it is fully reimbursed by deducting such amount from dividends as a tax on the stockholders pursuant to British law.

The corporation, of course, may never declare a dividend and, if it does not, it is entitled to the deduction in computing Federal income taxes, because in such a case it actually bears the burden of the tax and does not recoup it.

Difficult questions may arise as to the precise treatment of the deduction for Federal income tax purposes where the British tax is paid by the corporation in one year and the deduction from dividends is made in later years at the then standard rate of tax, which may be different from that paid by the corporation in the first year. These questions are not involved in the present case and in any event their determination does not affect the proposition that to the extent of the deduction from the dividends the tax is recouped by the corporation and is a tax imposed upon the stockholders.

The practice of the Bureau of Internal Revenue for many years has been to allow the deduction to the British corporation for Federal income tax purposes to the extent that no deduction is made from dividends and to allow the deduction or credit to the stockholders to the

extent of the deduction from the dividends. This administrative construction should be sustained. It allows the deduction or the credit to the taxpayer who actually bears the burden of the British taxes.

ARGUMENT.

In computing Federal income taxes a British corporation is not entitled to deduct British income tax paid to the British Government which, pursuant to the British tax law, it has fully recouped and which tax has been borne by its stockholders by deduction of the tax from dividends paid.

Appellee maintains that it is entitled to deduct from income of the fiscal year ending May 21, 1921, British income taxes of \$41,553.05 paid by it in that year with respect to its United States income as "Taxes paid or accrued within the taxable year * * *" (section 234[a] [3], Revenue Acts of 1918, 1921). We maintain that the corporation is not entitled to such deduction because during the same year, pursuant to the British tax law, it deducted from dividends paid to its stockholders at least \$41,553.05 on account of the British income taxes paid, thus fully recouping the amount paid and reimbursing itself for such tax payment. In such a case, the British income tax, although initially imposed on and paid by the corporation, is by virtue of the provisions of the British statutes recouped by the corporation and imposed on the stockholders as an income tax.

- (a) STATUTORY DEDUCTIONS ALLOWED TAXPAYERS UNDER THE FEDERAL REVENUE ACTS FOR AMOUNTS PAID OR ACCRUED DO NOT INCLUDE AMOUNTS WHICH THE TAXPAYER IS ENTITLED TO AND DOES RECOUP FROM OTHERS.

We maintain that taxpayers are entitled to deduct the various payments and accruals specified in section 234(a),

Revenue Acts of 1918 and 1921 only to the extent that they do not recover such amounts as such from others. We show below that under the British tax law the appellee was entitled to and did recoup the entire amount of the British income tax which it paid in the fiscal year 1921 from its stockholders by deducting from their dividends declared and paid the British income taxes imposed on the stockholders with respect to such dividends.

The statute allows taxpayers to deduct business expenses paid or incurred during the taxable year, depreciation, taxes, losses, etc. (section 234[a]). It seems obvious that these deductions must be limited to items, the burden of which is borne by the taxpayer and which it is not entitled to collect as such from others, although no such express limitation appears in the statute (*Paul and Mertens Law of Federal Income Taxation*, Vol. 3, page 42).

For example, the statute permits the deduction of a reasonable allowance for depreciation of property (section 234[a] [7]) but such depreciation, even if it has occurred, can not be deducted by the owner of rented property if the tenant is obliged to make good the depreciation. (*Commissioner of Internal Revenue v. Terre Haute Electric Co., Inc.*, 67 F. [2d] 697; *Heiner v. Wilhelm*, 28 F. [2d] 30).

Losses deductible under section 234(a) (4) are limited to losses "not compensated for by insurance or otherwise," the limitation here being expressed in the statute. Similarly amortization deductible under section 234(a) (8) can be deducted only with respect to part of the cost of the property which "has been borne by the taxpayer." See also Article 129 of Regulations 77.

The same principle must apply to the deduction for British income taxes which are recouped by the corporation and borne by the stockholders. If the taxpayer, under the applicable statutes, is entitled to and does recoup the taxes paid and reimburses itself, it should not

be allowed a deduction for a payment the burden of which did not actually fall upon it. Congress did not intend by the provision for the deduction of taxes paid or accrued that the deduction should be allowed under such circumstances.

- (b) UNDER THE BRITISH INCOME TAX SYSTEM THE APPELLEE WAS ENTITLED TO, AND DID, RECOUP THE AMOUNT OF THE BRITISH INCOME TAXES PAID BY DEDUCTING THE AMOUNT OF SUCH TAXES FROM THE DIVIDENDS PAID TO ITS STOCKHOLDERS. CONSEQUENTLY THE APPELLEE IS NOT ENTITLED TO THE DEDUCTION.

The British tax system in its taxation of corporate income and dividends has no exact counterpart in the United States tax laws. The system as historically developed contemplates that corporate income distributed as a dividend shall bear one tax.

The manner in which this is carried out under the British system in general is as follows:

The general structure of the British income tax is established by the Income Tax Act of 1918, as amended from time to time. An annual Finance Act is passed each year which establishes the rates of tax for the current year. The tax at this so-called "standard rate", usually about 20%, is imposed on income whether corporate or individual. A separate excess profits tax on corporations and a separate super-tax on individuals were also in effect in 1921, but the tax with which we are concerned is the income tax.

The manner in which the tax at the standard rate is levied is governed by Rule 20 of the General Rules which are part of the Income Tax Act of 1918. Rule 20 reads as follows:

"The profits or gains to be charged on any body of persons [corporation] shall be computed in accordance with the provisions of this Act on the full amount of the same before any dividend there-

of is made in respect of any share, right or title thereto, and the body of persons paying such dividend shall be entitled to deduct the tax appropriate thereto.”

The first step, therefore, is the imposition of the tax on the corporation on its net income before distribution of dividends. The corporation, however, is entitled, upon paying dividends, to deduct the tax “appropriate thereto”, *i. e.*, at the standard rate then in effect. By rule 23, a penalty is imposed upon any person who refuses to allow such deduction to be made. The tax is ordinarily imposed and collected in this way but provision is made for direct assessment on the stockholder if for some reason the tax has not been paid by the corporation and is not deducted from the dividends, as, for example, if the dividends are declared and paid before the passing of the annual Finance Act which provides the rate of tax. (Section 211 [1] Income Tax Act, 1918.)

The British tax system thus contemplates that the corporation pay the tax initially and authorizes the corporation to deduct the tax from dividends paid. The corporation therefore is entitled to recoup the amount paid and discharge its indebtedness to its stockholders, whether such indebtedness is a fixed liability, as in the case of “preference” shares, or a liability created by the declaration of a dividend on “ordinary” shares, by payment of that indebtedness less the amount of the taxes paid to the Government. In so doing the corporation directly reimburses itself for the amount initially paid to the government. We show below that the tax to the extent of the amount deducted from the dividends is a tax imposed upon the stockholders and not upon the corporation, and that the deduction is not treated as a mere reduction in the rate of the dividends.

In the present case the appellee received income upon which it became liable for British income taxes. It paid

the taxes and during the same year deducted from dividends paid to its stockholders an amount equal to the taxes. The appellee thus has fully recouped the amount paid and has been reimbursed for the tax paid to the British Government and should not be entitled to the deduction.

- (c) THE PROVISIONS OF THE BRITISH INCOME TAX STATUTES AND DECISIONS OF THE BRITISH COURTS SHOW THAT THE TAX TO THE EXTENT OF THE AMOUNT DEDUCTED FROM THE DIVIDENDS IS A TAX IMPOSED UPON THE STOCKHOLDERS AND NOT UPON THE CORPORATION. CONSEQUENTLY TO THAT EXTENT THE CORPORATION IS NOT ENTITLED TO DEDUCT THE BRITISH TAX IN COMPUTING ITS FEDERAL INCOME TAXES.

The provisions of the British income tax statutes and the decisions of the British courts make it clear that the British income tax to the extent of the deduction from dividends on account thereof is a tax imposed on stockholders. Provision is made for refund of taxes by the British Government to a stockholder who has received a dividend from which a tax has been deducted but who does not have sufficient net income to be subject to income tax. Section 29, British Income Tax Act of 1918, as amended by the Finance Act 1920, provides:

“If it is proved to the satisfaction of the general commissioners that any person whose claim for allowance or deduction or relief has been allowed, has paid any tax, *by deduction or otherwise*, the general commissioners may, in the form prescribed, certify the facts proved before them to the special commissioners.” (Italics ours.)

The section goes on to provide for repayment on certificate of the general commissioners. For example, assume an individual owns stock on which a dividend amounting to £50 is declared; that a tax of £10 is deducted and the

individual receives only £40. Assuming he had no other income or that his income was offset by statutory deductions, so that his net income was less than the specific exemption, he would be entitled to have the British Government pay him the £10 deducted by the corporation on account of his dividend.

The fact that the stockholder under the above circumstances is entitled to a refund shows beyond question that when the tax is deducted from the dividends the deduction is made on account of the tax and it is then a tax on the stockholder. If the tax remained a tax upon the corporation, obviously there could be no refund by the Government to the stockholder. This also shows the deduction is not considered a mere reduction in the rate of dividends.

In computing income for surtaxes the stockholder must report not the net amount of dividend he actually receives, but the gross dividend, and he must pay surtaxes on the gross dividend. In the case of *Sir Marcus Samuel, Bart. v. Commissioners of Inland Revenue*, VII British Tax Cases 277 (1918), the court held that where a company paid a dividend of £100 to a shareholder "free of tax", his actual share of the earnings of the company was not the £100 he actually received, but £100 plus the tax. That case involved a dividend "free of tax" as distinguished from a dividend from which the tax is deducted, but the reasoning is equally applicable to either case. Again, it is obvious that the tax must be considered as imposed on the stockholder to the extent that it is deducted from his dividends.

In the case of a "fixed rate" dividend, as on preference shares, distribution of a dividend at the limited fixed rate without deduction of the tax was held to be illegal, indicating that the company would fully satisfy its obligation to pay the fixed rate by paying the amount thereof less the tax. In such a case the net amount actually received by the stockholder varies from year to year with

the variations in the rate of tax. His income, however, is the "gross" amount of the dividend and remains constant. See *Ashton Gas Company v. Attorney General*, 75 L. J. Ch. 1, 93 L. T. 676 (House of Lords, 1906) and *Sir Marcus Samuel, Bart. v. Commissioners of Inland Revenue, supra*. Again it is obvious that the tax is imposed upon the stockholder when it is deducted from the dividends. In the present case the record does not show whether the dividends paid were dividends at a "fixed rate" on preference shares or dividends declared on ordinary shares.

In some instances it happens that the income tax is not paid by the corporation. For example, if income is received and a dividend declared during the year but prior to the passage of the annual Finance Act which provides the tax for the current year, the corporation may pay the dividend without deducting any tax. In that event the corporation may be called upon for returns somewhat similar to the Federal information returns, but the tax is assessed directly against the stockholder. The corporation pays no tax. (Section 211[1] Income Tax Act, 1918; Konstam, K.C., *The Law of Income Tax*, pages 245, 271.) The same procedure of direct assessment against the stockholders is followed if a dividend is paid in property and not in cash. This shows that the tax whether paid by deduction or by direct assessment is a tax on the stockholders.

The language of decisions of the British courts has not been entirely consistent as to whether the corporation is regarded as a taxpayer itself in the first instance, or whether it is regarded merely as a tax collector for the government or as an agent of the stockholders to pay their taxes. In the early case of *Ashton Gas Company v. Attorney General*, 75 L.J. Ch. 1, 93 L.T. 676 (House of Lords, 1906), the corporation was referred to as a tax collector, while in later cases such as *Commissioners of Inland Revenue v. Blott*, 2 App. Cas. 171 (House of Lords,

1921), it is said that the company is a taxpayer and does not pay a tax as agent of the stockholder when it pays it to the Crown. It is unnecessary for the Court in the present case to decide this question.

If the view be taken that the corporation is merely a tax collector or agent for the stockholders then the case is analogous to sales taxes and similar taxes in the United States which are levied on the purchaser and collected and paid by the vendor. In those situations the deduction is of course allowable only to the purchaser. Even if the view be taken that the corporation is a taxpayer, nevertheless, as pointed out above, it is not entitled to the deduction because it is reimbursed to the extent it deducts the tax from the dividends. There can be no doubt the stockholder is a taxpayer and bears the burden of the tax to the extent it is deducted from dividends.

It is true, of course, that the corporation may never declare a dividend and thus may never reimburse itself for the tax it has paid and the tax may never be borne by the stockholders. In such cases the corporation bears the tax and is entitled to the deduction in computing its Federal income taxes, but this does not affect the proposition that where, as in the present case, the corporation did declare a dividend and did deduct the tax, the corporation has been reimbursed and the tax has been borne by the stockholder.

Also, it may happen that the corporation will pay a dividend in a year subsequent to that in which it received the income and paid the taxes to the Government and in a year for which the tax rate has been changed. The tax will be deducted at the rate in effect for the year in which the dividends are paid. In such a case difficult questions may arise as to the precise treatment of the deduction for Federal income tax purposes. Whether the corporation should take the deduction for the year in which it paid the tax and later adjust its income for

that year depending on the amount actually deducted, or whether it should be allowed the deduction for the first year and take up as income in the subsequent year the amount deducted, are questions which do not arise in the present case. Here the income was earned, the dividend was declared and the tax deducted in the same year. In any event the determination of these questions does not affect the proposition that to the extent of the deduction from the dividends, the corporation is reimbursed and the tax is imposed upon the stockholders.

(d) THE PRACTICE OF THE BUREAU OF INTERNAL REVENUE FOR MANY YEARS HAS BEEN TO ALLOW THE DEDUCTION TO THE BRITISH CORPORATION TO THE EXTENT THAT NO DEDUCTION IS MADE FROM DIVIDENDS AND TO ALLOW THE DEDUCTION OR CREDIT TO THE STOCKHOLDERS TO THE EXTENT OF THE DEDUCTION FROM THE DIVIDENDS. THIS ADMINISTRATIVE CONSTRUCTION SHOULD BE SUSTAINED.

The Bureau of Internal Revenue in Solicitor's Memorandum 3040 (Cumulative Bulletin IV-1, p. 198, 1925) and in Solicitor's Memorandum 5363 (Cumulative Bulletin V-1, p. 89, 1926) ruled that the income tax paid by a British corporation to the British Government is a tax which may or may not be borne by the corporation; that to the extent of the deduction on account thereof from profits distributed as dividends it is a tax on the stockholder and the stockholder is entitled to the deduction or credit; and that to the extent no deduction is made the tax is deductible by the corporation. (We understand that recently the Bureau of Internal Revenue because of the decision of the lower court in this case has disallowed the deduction to corporations and also the deduction or credit to stockholders solely in order to avoid the possibility that both the corporations and the stockholders might receive the benefit of a deduction or credit for the same tax.)

In Solicitor's Memorandum 5363 *supra*, it was said:

“The entire income tax paid by a British corporation to the British Government for a given year on its gains and profits may or may not be borne by the corporation. The tax which it bears is the tax directly assessed against it on its gains and profits plus any tax withheld from income received by the corporation during the year, less (a) the tax deducted and retained on annual charges on profits reported for tax and (b) the tax on the profits distributed as dividends.

“The tax deducted from profits distributed as dividends is a tax against the shareholder. The tax deducted from interest payments or annual charges is a tax against the recipient of the interest or other annual payments. The tax on the profits which are retained by the corporation is a tax against the corporation.”

This practice of the Bureau of Internal Revenue has been approved by the Board of Tax Appeals. *Basil Robillard, Executor*, 20 B. T. A. 685, 689, aff'd 50 F. (2d) 1083. Such long-established practice should not be disturbed.

Brewster v. Gage, 280 U. S. 227;

National Lead Co. v. United States, 252 U. S. 140.

See cases cited in

Paul and Mertens Law of Federal Income Taxation, pp. 47, 48.

We submit that the practice of the Bureau of Internal Revenue is sound. It allows the deduction or the credit to the taxpayer who actually bears the burden of the British taxes.

Conclusion.

Appellee, pursuant to British tax law, fully recouped the amount of British income taxes paid by it. The

British income taxes were borne by the stockholders of appellee. Consequently the appellee was not entitled to a deduction for such British income taxes in computing its Federal income taxes. The judgment of the lower court should be reversed.

Respectfully submitted,

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Appendix.

FEDERAL INCOME TAX LAW
 REVENUE ACT OF 1921
 (42 Stat. 227)

“Sec. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

* * * * *

“(3) Taxes paid or accrued within the taxable year except (a) income, war-profits, and excess-profits taxes imposed by the authority of the United States, (b) so much of the income, war-profits and excess-profits taxes imposed by the authority of any foreign country or possession of the United States as is allowed as a credit under section 238, * * * .

* * * * *

“Sec. 238. (a) That in the case of a domestic corporation the tax imposed by this title, plus the war-profits and excess-profits taxes, if any, shall be credited with the amount of any income, war-profits, and excess-profits taxes paid during the same taxable year to any foreign country, or to any possession of the United States: *Provided*, That the amount of credit taken under this subdivision shall in no case exceed the same proportion of the taxes, against which such credit is taken, which the taxpayer's net income (computed without deduction for any income, war-profits, and excess-profits taxes imposed by any foreign country or possession of the United States) from sources without the United States bears to its entire net income (computed without such deduction) for the same taxable year.”

“Sec. 214. (a) That in computing net income there shall be allowed as deductions:

“(3) Taxes paid or accrued within the taxable year except (a) income, war-profits, and excess-profits taxes imposed by the authority of the United States, (b) so much of the income, war-profits and excess-profits taxes, imposed by the authority of any foreign country or possession of the United States, as is allowed as a credit under section 222, * * *.

* * * * *

“Sec. 222. (a) That the tax computed under Part II of this title shall be credited with:

“(1) In the case of a citizen of the United States the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country or to any possession of the United States; and

* * * * *

“(5) The above credits shall not be allowed in the case of a citizen entitled to the benefits of section 262; and in no other case shall the amount of credit taken under this subdivision exceed the same proportion of the tax, against which such credit is taken, which the taxpayer's net income (computed without deduction for any income, war-profits and excess-profits taxes imposed by any foreign country or possession of the United States) from sources without the United States bears to his entire net income (computed without such deduction) for the same taxable year.”

BRITISH INCOME TAX LAW

INCOME TAX ACT OF 1918

“CHAPTER 40

“An Act to Consolidate the Enactments relating to Income Tax. [8th August 1918.]

“Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual

and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

“PART I.

“CHARGE OF INCOME TAX.

“1. Where any Act enacts that income tax shall be charged for any year at any rate, the tax at that rate shall be charged for that year in respect of all property, profits, or gains respectively described or comprised in the schedules marked A, B, C, D, and E, contained in the First Schedule to this Act and in accordance with the Rules respectively applicable to those schedules.”

“29. General commissioners to certify claim to special commissioners.—(1) If it is proved to the satisfaction of the general commissioners that any person whose claim for allowance or deduction or relief has been allowed, has paid any tax, by deduction or otherwise, the general commissioners may, in the form prescribed, certify the facts proved before them to the special commissioners.

“(2) The certificate of the general commissioners shall state the particulars of the different sources of income in respect of which tax has been paid, the relief to which the claimant is entitled, the amount repayable in respect thereof, and the name and place of abode of the claimant.

“(3) On receipt of the certificate, the special commissioners shall issue an order for repayment.”

“FIRST SCHEDULE.

“SCHEDULE A.

“Tax under Schedule A shall be charged in respect of the property in all lands, tenements, hereditaments,

and heritages in the United Kingdom, for every twenty shillings of the annual value thereof.

* * * * *

“SCHEDULE C.

“Tax under Schedule C shall be charged in respect of all profits arising from interest, annuities, dividends, and shares of annuities payable out of any public revenue, for every twenty shillings of the annual amount thereof.

* * * * *

“SCHEDULE D. (a)

“1. Tax under this Schedule shall be charged in respect of—

“(a) The annual profits or gains arising or accruing—

“(i) to any person residing in the United Kingdom from any kind of property whatever, whether situate in the United Kingdom or elsewhere; and

“(ii) to any person residing in the United Kingdom from any trade, profession, employment, or vocation, whether the same be respectively carried on in the United Kingdom or elsewhere; and

“(iii) to any person, whether a British subject or not, although not resident in the United Kingdom, from any property whatever in the United Kingdom, or from any trade, profession, employment, or vocation exercised within the United Kingdom; and

“(b) All interest of money, annuities, and other annual profits or gains not charged under Schedule A, B, C or E, and not specially exempted from tax;

“in each case for every twenty shillings of the annual amount of the profits or gains.”

“GENERAL RULES APPLICABLE TO SCHEDULES
A, B, C, D and E.

“1. Every body of persons shall be chargeable to tax in like manner as any person is chargeable under the provisions of this Act.

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“20. The profits or gains to be charged on any body of persons shall be computed in accordance with the provisions of this Act on the full amount of the same before any dividend thereof is made in respect of any share, right or title thereto, and the body of persons paying such dividend shall be entitled to deduct the tax appropriate thereto.

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“23. (1) A person who refuses to allow a deduction of tax authorised by this Act to be made out of any payment, shall forfeit the sum of fifty pounds.

“(2) Every agreement for payment of interest, rent, or other annual payment in full without allowing any such deduction shall be void.”

